AGENDA
FREMONT REDEVELOPMENT AGENCY SPECIAL MEETING
JANUARY 17, 2011
5:00 P.M.

1. CALL TO ORDER

2. CONSENT CALENDAR

Items on the Consent Calendar are considered to be routine by the Redevelopment Agency and will be enacted by one motion and one vote. There will be no separate discussion of these items unless an Agency Member or citizen so requests, in which event the item will be removed from the Consent Calendar and considered in its normal sequence on the agenda. Additionally, other items without a "Request to Address the Redevelopment Agency Board" card in opposition may be added to the consent calendar. (In the report section of the agenda, consent items are indicated by an asterisk.)

2.1 Approval of Minutes – None.

3. PUBLIC COMMUNICATIONS

3.1 Oral and Written Communications

4. PUBLIC HEARINGS – None.

5. OTHER BUSINESS

5.1 CONSIDERATION OF AMENDMENT TO THE PUBLIC IMPROVEMENTS GRANT AGREEMENT BETWEEN THE CITY AND THE REDEVELOPMENT AGENCY
Consideration of Amendment to the Public Improvements Grant Agreement between the City and the Redevelopment Agency for Funding of Various Public Improvements Projects

Contact Person:

Name:	Irene de Jong	Elisa Tieney
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Dept.:	Housing and Redevelopment	Housing and Redevelopment
Phone:	510-494-4510	510-494-4501
E-Mail:	idejong@fremont.gov	etierney@fremont.gov

RECOMMENDATION: Adopt a resolution authorizing the City Manager/Redevelopment Agency Executive Director, or his designee, to execute Amendment No.10 to the Public Improvements Grant Agreement between the City and the Redevelopment Agency for funding of various Public Improvements Projects undertaken by the City.

5.2 REDEVELOPMENT AGENCY AUTHORIZATION FOR ISSUANCE OF TAX ALLOCATION BONDS
Proposed Issuance of 2011 Redevelopment Agency Tax Allocation Bonds

Contact Person:

Name:	Elisa Tierney	Harriet Commons
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RECOMMENDATION: Staff recommends that the Redevelopment Agency Board act as follows:

1. Approve the issuance of the 2011 Tax Allocation Bonds.
2. Adopt a resolution authorizing the issuance and sale of tax allocation bonds to finance redevelopment activities within or of benefit to the Agency's Centerville, Industrial, Irvington and Niles Redevelopment Projects and approving related documents and actions. The financing documents are as follows:

   - Preliminary Official Statement
   - Indenture of Trust
   - Indenture of Trust
   - Official Notice of Sale
   - Notice of Intention to Sell Bonds
   - Continuing Disclosure Certificate

3. Approve the sale of tax allocation bonds on either a competitive or a negotiated basis, as determined by market conditions at the time of sale.

6. ADJOURNMENT

REPORT SECTION
FREMONT REDEVELOPMENT
AGENCY SPECIAL MEETING

JANUARY 17, 2011

5.1 CONSIDERATION OF AMENDMENT TO THE PUBLIC IMPROVEMENTS GRANT AGREEMENT BETWEEN THE CITY AND THE REDEVELOPMENT AGENCY
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A companion report is on tonight's agenda for the City Council of the City of Fremont.

Executive Summary: On June 1, 2002, the City of Fremont and its Redevelopment Agency entered into a Public Improvements Grant Agreement for funding various public improvements projects. The agreement allows the Agency to grant funding to the City for public improvements projects, which develop new, enhanced or improved infrastructure, and therefore result in furthering the goals of the Agency's Redevelopment Plan and Implementation Plan. The Public Improvements Grant Agreement is amended from time to time, typically after budget adoption, to reflect additional Agency grant funding allocated for the public improvements projects undertaken by the City. Staff recommends Agency Board and City Council approval of the proposed Amendment No. 10 to the Public Improvements Grant Agreement to increase Agency funding allocations to the following public infrastructure projects: Irvington BART Station, Greenbelt Gateway along Grimmer Boulevard, H Street Reconstruction, Fremont Boulevard Streetscape and Traffic Improvements, Niles Alleys Rehabilitation, Quiet Zones Improvements, and Sullivan Underpass Safety Improvements.

BACKGROUND: The Public Improvements Grant Agreement was entered into by the City and the Redevelopment Agency on June 1, 2002, for the purposes of funding a variety of public improvements projects, which would result in new, enhanced or increased public infrastructure that will improve the physical appearance of the redevelopment project areas, improve transportation access in the districts, and facilitate enhanced parking and pedestrian resources. All of these efforts also serve multiple goals and objectives of the Agency's Redevelopment Plan and the Implementation Plan. Therefore, due to the City's funding limitations, the Agency agreed to provide grant funding for the public improvements projects that result in furthering the goals of the redevelopment program in Fremont.

Since 2002, a number of major public improvements projects undertaken by the City received Agency grant funding, including the I-880 Mission Interchange, Washington Grade Separation, Bay Street Streetscapes, Niles Town Plaza, Irvington BART Constructability, Grimmer Boulevard Gateway, etc. During the Agency Board's consideration of its 2010/11 budget last June, due to the uncertainty of the Plan Amendment adoption, many projects were not included for funding with the understanding that a mid-year budget review would be undertaken to consider these additional projects. On January 11, 2011, these projects were considered and discussed by the Agency Board at its regular meeting. As a result, during the remainder of the FY 2010/11, the City and the Agency will continue the implementation of public improvements projects, which will include the Irvington BART Station, Greenbelt Gateway along Grimmer Boulevard, H Street Reconstruction, Fremont Boulevard Streetscape and Traffic Improvements, Niles Alleys Rehabilitation, and Quiet Zone Improvements. These projects will be outlined in the current Public Improvements Grant Agreement, which will necessitate additional funding allocations from the Agency.

In order to continue successful implementation of these public improvements efforts, staff requests Agency Board and City Council approval to increase Agency grant funding for these projects, as follows:

- Irvington BART Station - increase Agency funding to $107,600,000;
- Greenbelt Gateway along Grimmer Boulevard (Phase II) - increase Agency funding to $1,400,000;
- H Street Reconstruction - increase Agency funding to $2,320,000;
- Fremont Boulevard Streetscape and Traffic Improvements - increase Agency funding to $5,050,000;
- Niles Alleys Rehabilitation - increase Agency funding to $2,400,000;
- Quiet Zones Improvements - increase Agency funding to $3,600,000.

Additional funding resources made available by the Agency for the projects outlined above will allow the City to continue development, enhancement and improvement of the City's public infrastructure, which will also result in furthering the goals of the Redevelopment Plan for the Merged Project Area and the Agency's 5-year Implementation Plan.

Under the Public Improvements Agreement as amended by Amendment No. 10, there is an orderly funding mechanism for the Agency to pay the City existing budgeted funds, any future bond proceeds, and any future tax increment that is intended and needed for funding the City-owned public improvements that have been planned and scheduled for redevelopment funding in the adopted Redevelopment Plan and Five-Year Implementation Plan for the Fremont Merged Project Area. Therefore, staff requests Agency Board and City Council approval of proposed Amendment No. 10 to the Public Improvements Grant Agreement between the City and the Agency.

REDEVELOPMENT LAW FINDINGS: By Ordinance No. 5-2010, adopted March 16, 2010, the City Council adopted the Amended Redevelopment Plan for the Merged Project Area that provides funding for public improvements set forth in Amendment No. 10 to the Public Improvements Grant Agreement, and made the findings required by the Community Redevelopment Law for such funding. These Redevelopment Law findings (under Health and Safety Code Section 33445) include that the public improvements will help eliminate blight in the Merged Project Area, are consistent with the Agency's Five-Year Implementation Plan, and cannot be reasonably funded from City or other sources, thereby requiring the contemplated redevelopment funding. The findings made by the City Council are based on evidence in the record of the March 2010 Merged Project Area Plan Amendment adoption, including the Report To Council and the amended Five-Year Implementation Plan. Based on this same evidence and the information contained in this report, it is recommended that the City Council and Agency Board reconfirm these Health and Safety Code Section 33445 findings contained in the accompanying approval resolutions for the proposed Amendment No. 10 to the Public Improvements Grant Agreement.

FISCAL IMPACT: Additional Agency grant funding, necessary for the completion of the public improvements projects outlined above, will be transferred into the Public Works Contracts established for these projects.

ENVIRONMENTAL REVIEW: The projects benefiting from the proposed increased Agency grant funding, as well as the projects previously listed in the Agreement, were analyzed in the Redevelopment Plan Amendment EIR for the Merged Redevelopment Project Area, certified in March 2010. The appropriate CEQA findings and project mitigation measures for the public improvements listed in Amendment No. 10 were also approved by the City Council and Agency Board at that time. In addition, as a funding mechanism requiring appropriate follow-up CEQA review prior to commencement of specific listed project, there is a CEQA exemption for the approval of Amendment No. 10 itself.

ENCLOSURES:

- Draft Resolution authorizing Amendment No. 10
- Amendment No. 10 to the Public Improvements Grant Agreement between the City and the Redevelopment Agency for funding of various Public Improvements Projects
- Exhibit A of the Public Improvements Grant Agreement between the City and the Redevelopment Agency for funding of various Public Improvements Projects

RECOMMENDATION: Adopt a resolution authorizing the City Manager/Redevelopment Agency Executive Director, or his designee, to execute Amendment No.10 to the Public Improvements Grant Agreement between the City and the Redevelopment Agency for funding of various Public Improvements Projects undertaken by the City.

5.2 REDEVELOPMENT AGENCY AUTHORIZATION FOR ISSUANCE OF TAX ALLOCATION BONDS

Proposed Issuance of 2011 Redevelopment Agency Tax Allocation Bonds

Contact Person:

Name:	Elisa Tierney	Harriet Commons
Title:	Redevelopment Agency Director	Director
Dept.:	Housing and Redevelopment	Finance
Phone:	510-494-4501	510-284-4010
E-Mail:	etierney@fremont.gov	hcommons@fremont.gov

A companion report is on tonight's agenda for the City Council of the City of Fremont.

Executive Summary: The Governor's budget proposal, issued on January 10, 2011, would, if enacted, have severe impacts on California redevelopment and calls for the termination of all redevelopment agencies as of July 1, 2011. This report presents information about issues and related impacts identified in the Governor's proposed budget, with a particular emphasis on redevelopment-related issues.

The primary policy issue for Council/Board consideration is whether to take actions to preserve Agency flexibility to continue to fund some of these projects or to defer action until such time as more information is available or the Governor and Legislature have acted. Specifically, this report requests authorization to issue up to $140,000,000 of tax allocation bonds in order to ensure sufficient resources are available to fund long-planned major public improvements for the Merged Project Area. The bonds would be a debt of the Redevelopment Agency but not the City, and would not draw upon the City's General Fund. Staff recommends the Agency authorize the issuance Tax Allocation Bonds at this time to fund projects that are ready to proceed.

BACKGROUND: On January 10, 2011, the Governor released his 2011/12 budget proposal. It is important to note that this is a proposal only; it has yet to be reviewed and acted upon by the Legislature. A major provision of the Governor's budget proposal that affects local government is the proposed elimination ("disestablishment") of redevelopment agencies throughout the State by July 1, 2011. In order to accomplish such rapid termination of redevelopment as part of the overall budget package, the proposal contemplates urgency legislation in March 2011, or sooner, which needs a 2/3 vote in both houses to become effective immediately and suspend Agency operations. At this point in time, in the absence of surety, it is prudent to consider this possibility a likely outcome and plan accordingly.

With the approval of the Agency plan amendment in March 2010 to increase the Agency's revenue cap, future resources were secured to fund a number of important projects throughout the community. If the Governor's budget proposal becomes reality, those future resources will no longer be available. However, tax increment revenues will continue to be available to redevelopment agencies to the extent they have debt. Issuing tax allocation bonds will ensure the resources to fund projects included in the Redevelopment Plans for the four merged project areas (Niles, Industrial, Irvington, and Centerville) will be available.

Governor Brown's proposed 2011/12 budget calls for the "disestablishment," or elimination, of redevelopment agencies as of July 1, 2011. This would mean:

- Full Agency closure by July, 1, 2011. There would be no new allocation of tax increment revenues in future years, with the exception of sufficient future property taxes needed to meet future scheduled payments of each agency's existing obligations and debt service. A local "successor agency" would be established, whose purpose would be solely to receive sufficient future property taxes to make payments to retire the agency's existing debts and obligations. To get its financial house in order in case the 2010 Merged Project Area Plan Amendment to increase the Industrial Area tax increment dollar cap had not been approved, the Fremont Redevelopment Agency worked aggressively over the past several years to retire all of its prior bonded debt. As a result, unlike the majority of other agencies, the Fremont Redevelopment Agency does not have outstanding bonds at this time, although it does have various, more limited outstanding contractual obligations to third parties, including the City.

- No new obligations/commitments of tax increment by agencies effective upon enactment of urgency legislation, anticipated in March (or possibly earlier, as detailed below); and

- Unspent and unencumbered Housing Fund balances would be transferred to the local housing authority (in the case of Fremont, likely the Housing Authority of the County of Alameda), with no future funding for affordable housing proposed.

For the first year of the Governor's proposal, fiscal year 2011/12, the Governor proposes that the property taxes that under current law would be considered tax increment revenue would first be distributed to any pre-existing redevelopment agency obligations and pass-through payments, amounting to approximately 63% of total tax increment revenue Statewide, with the balance (estimated at 37% Statewide) being diverted to the State[1].

For fiscal year 2012/13 and beyond, former RDA funds (not obligated by previous commitments), estimated at $1.9 billion, would go to local government, as follows:

- $1 billion or 53% to schools (would count over and above Prop 98 requirements)
- $290 million or 15% to counties
- $490 million or 26% to cities
- $100 million or 5% to special districts

In order to offset the effects of eliminating redevelopment agencies and provide local government with an economic development tool, the Governor's proposal anticipates working with the legislature to seek a constitutional amendment to allow local jurisdictions to approve bond measures for economic development projects – most likely defined as infrastructure projects – with a 55% vote. This, however, is uncertain and in no case would it be on the ballot for consideration prior to November 2012, leaving Fremont and other local jurisdictions with no tools for economic development for almost two years. The Governor's proposal also anticipates a one-year moratorium on State housing bonds and a $106 million reduction in one-time State funding.

[1] The Governor's budget calls for a token amount of $200,000 to be returned to local jurisdictions to be divided and returned to local jurisdictions, however, at this time, staff is unable to quantify what this would mean for the City of Fremont. It is anticipated to be a nominal amount.

In order to effectuate his proposal, the Governor anticipates the passage of comprehensive urgency legislation in March, which would, in effect, freeze the ability of agencies to take on new obligations and debt service. It now appears that an even earlier introduction of urgency legislation may occur to suspend redevelopment agency debt incurrence pending development of the more comprehensive urgency legislation to implement the full program of redevelopment termination. Rumors are circulating that such interim urgency legislation might be written to make the suspension of each agency's ability to issue new debt retroactive to an earlier date, including possibly as early as the date of the Governor's budget proposal on January 10, 2011.

DISCUSSION/ANALYSIS: With the adoption of the 2010 Merged Project Area Plan Amendment, a revenue stream has been secured for construction of future redevelopment-related improvements, including the Irvington BART station. As a result, the Agency and City initiated activity on the Irvington BART project, including approval of a $5.3 million pre-engineering funding agreement with BART to begin the process intended to move forward with the Irvington BART Station. Currently. staff is working closely with BART staff to formalize the responsibilities for the process of land acquisition, development and construction of the Station. If developed soon, BART has indicated it could build the station as part of the development of the Warm Springs station, thereby saving the Agency significant costs.

Given the Agency's other priority projects and its low available cash position, discussions have been underway for some time to issue Tax Allocation Bonds to raise the $100+ million in funding necessary for BART Station construction, as well as other critical projects the Agency anticipated commencing upon approval of the Plan Amendment. In addition to Irvington BART, the previously anticipated ready-to-go projects included in the budget are the Fremont Boulevard Reconfiguration and Streetscape Improvements in Centerville, the Greenbelt Gateway improvements along Grimmer Boulevard in Irvington, quiet zones and safety improvements in Centerville and Niles, and renovation of the Iron Horse Lane alley in Niles, as outlined in the chart below:

SHOVEL READY REDEVELOPMENT PROJECTS				
Project Name	***Project Description***	***Estimated Funding Needs***		***Total Funding Requirement***
		2011/12	**All other Years**	
Irvington BART	Funding for preliminary engineering, property acquisition, design and construction of the Irvington BART station	$28,300,000	$79,300,000	$107,600,000
Greenbelt Gateway along Grimmer Boulevard	Funding for a pedestrian and bicycle connection along the portion of Alameda Creek running parallel to Grimmer Boulevard (between Fremont Boulevard and Central Park). The connection would create a park-like setting along a meandering landscaped path built into the side of the creek embankment, and include pedestrian scale lighting and seating.	200,000	1,200,000	1,400,000
Fremont Boulevard Improvements	A series of initiatives to improve the central commercial corridor in Centerville (including road and streetscape improvements on Fremont Boulevard).	1,250,000	3,800,000	5,050,000
Quiet Zones/Grade Crossing Improvements	Funding for the grade crossing improvements at Fremont, Maple & Dusterberry, and Nursery/UPRR location in Niles.	2,000,000	1,500,000	3,500,000
Niles Alleys Improvements	Funding for the rehabilitation of Iron Horse Lane.	400,000	2,000,000	2,400,000
SUMMARY OF FUNDING REQUIREMENTS:		**$32,150,000**	**$87,800,000**	**$119,950,000**

Proposed Debt Issue: Issuance of tax allocation bonds is a routine method for financing redevelopment projects prior to collection of tax increment. Although the tax increment revenue cap in the Industrial project area was recently raised from $400 million to $1.5 billion, those revenues would be received over the next 25 years. Issuing tax allocation bonds means those resources are available for large projects sooner. Staff had been contemplating the issuance of debt for construction of the Irvington BART station, the largest project funded by the Plan Amendment, although not until later in the year. With the potential for the Governor's budget proposal to bring a halt to redevelopment projects for which debt has not been issued, staff believes it is prudent to request Council and Board approval for the issuance of tax allocation bonds now. Whether such approval will be sufficient to allow these projects to proceed remains to be seen, depending on the provisions of any urgency legislation that may be implemented, or provisions of an adopted State budget.

Staff has determined it would be most cost-effective to identify "shovel-ready" projects and issue bonds for all such projects in one issuance instead of spreading it out over time, particularly as the bulk of the costs are associated with one project, the construction of the Irvington BART station. As indicated in the chart above, total expenditures for these five projects are anticipated to be approximately $120 million. This would require a bond issuance of $133.3 million, which is supportable by the Agency's available annual tax increment revenue. According to the Agency's financial advisor, KNN Public Finance, an issuance of $133.3 million would require annual debt service of approximately $10.3 million.

Proposed Financing Structure: The following estimated amounts reflect market conditions at the time of agenda preparation. The actual costs may differ from this estimate at the time of bond sale, but the maximum principal amount will not exceed the $140 million proposed par amount. The following information is based on an estimated issuance amount of $133,400,000.

Par Amount	$133,400,000
Term	25 Years, Final Maturity September 1, 2036
Interest Rate	6.00%
All-Inclusive True Interest Cost	6.25%
Average Annual Debt Service Payment	$10,282,209
Reserve/Capitalized Interest Fund	$10,226,500

The All-Inclusive True Interest Cost includes underwriter's fees and costs of issuance (legal and financial consultant fees, trustee fees, credit rating agency fees, etc.). Although the City has experienced lower interest costs on its variable rate demand certificates of participation, fixed rate financing is the more common structure for tax allocation bonds. It has not yet been determined whether these bonds will be sold competitively or by a negotiated sale. That determination will be made closer to the time of sale, based on market conditions. In addition, if the bond market becomes unfavorable or State legislation is enacted to prohibit the sale, this debt issuance will be postponed or cancelled.

The following table shows the estimated sources and uses of bond proceeds:

SOURCES:	
Par Amount	$133,340,000
USES:	
Projects	$119,950,000
Reserve/Capitalized Interest Fund	10,226,500
Underwriter's Discount	2,666,800
Cost of Issuance	487,500
Additional Projects	9,200
TOTAL USES	$133,340,000

If the Legislature approves the Governor's budget proposal to eliminate redevelopment, then beginning in fiscal year 2012/13, the property tax revenue that, under current law would have been considered property tax increment, would be first used by the "successor agency" to the disestablished Fremont Redevelopment Agency to pay the recognized debts of the former Redevelopment Agency. The balance of such freed-up property taxes would then be divided among the taxing entities and local jurisdictions. This would mean that instead of a pass-through payment from the Agency, the City would receive its normal property tax share (approximately 15%) of such freed-up property tax revenues, including incremental assessed valuation growth in the redevelopment project areas.

FISCAL IMPACT: The Redevelopment Agency currently receives approximately $34.5 million in tax increment revenue annually. If no new Agency indebtedness is issued and this revenue instead were to be distributed to the City and other taxing entities under an enacted form of the Governor's budget proposal, the City's share would be approximately $5.2 million. This assumes the Agency has no other existing outstanding debt and the current Agency/City Master Public Improvements Agreement is not followed in the future. This General Fund revenue would be unrestricted and the City would be free to spend the revenue however it chooses.

If the Agency were to issue bonds that are recognized as a pre-existing debt under an enacted version of the Governor's budget proposal, the pool of available property tax revenue would be reduced by an amount that the "successor agency" would first draw down to pay the annual bond debt service, with a resulting impact on the City's General Fund. With annual debt service of $10.3 million, the net property tax revenue to be distributed among local governments after payment of the proposed bond debt service would be $34.5 million minus $10.3 million, or $24.2 million. While this would mean a decrease of $1.5 million in net tax revenue to the City's General Fund ($3.7 million instead of $5.2 million), it would mean that $120 million in additional City capital projects, most notably the Irvington BART station, would be secured. If a smaller debt issue is contemplated (for example, just the Irvington BART station and nothing else), the impact on the City's General Fund would be less. This is illustrated in the comparison chart below.

Project Funding	Bond Amount	Annual Debt Service	Foregone Property Tax Revenue to General Fund	Total to General Fund
$0	$0	$0	$0	$5,175,000
$107,600,000	$119,640,000	$9,224,887	$1,383,733	$3,791,267
$119,950,000	$133,340,000	$10,282,209	$1,542,331	$3,632,669

Financing Team: Staff proposes engaging the services of KNN Public Finance as financial advisor, and Quint & Thimmig as bond counsel. Jack Nagle of Goldfarb & Lipman, special counsel retained by the Agency, will also review the documents, and disclosure counsel will also be retained. Seifel Consulting, Inc., the Agency's financial consultant, will provide the analysis to make sure that tax increment to be collected is sufficient to pay the obligation. The bond trustee is still to be identified.

ENVIRONMENTAL REVIEW: None required.

ENCLOSURES:
- Resolution
- Preliminary Official Statement (to be made available separately)

RECOMMENDATION: Staff recommends that the Redevelopment Agency Board act as follows:
1. Approve the issuance of the 2011 Tax Allocation Bonds.
2. Adopt a resolution authorizing the issuance and sale of tax allocation bonds to finance redevelopment activities within or of benefit to the Agency's Centerville, Industrial, Irvington and Niles Redevelopment Projects and approving related documents and actions. The financing documents are as follows:

    - Preliminary Official Statement
    - Indenture of Trust

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- Official Notice of Sale
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- Continuing Disclosure Certificate

3. Approve the sale of tax allocation bonds on either a competitive or a negotiated basis, as determined by market conditions at the time of sale.